

## SUBCOMMITTEE NO. 3

## Agenda

Chair, Senator Denise Moreno Ducheny  
Senator Dave Cox  
Senator Wesley Chesbro



Thursday, March 9, 2006  
(Upon Adjournment)  
Room 3191  
Consultant, Anastasia Dodson

### Vote-Only Agenda

<u>Department</u>	<u>Page</u>
1. Department of Social Services, Foster Care Audits Staff .....	1
2. Department of Social Services, Title IV-E Claiming Staff .....	1
3. Department of Alcohol and Drug Programs, Drug Medi-Cal Fraud Deterrence Staff .....	2

### Discussion Agenda

<u>Item</u>	<u>Department</u>	<u>Page</u>
5180	Department of Social Services – Children and Family Services	
	1. Overview of Caseload, Costs, and Outcomes .....	2
	2. Improving Adoptions Outcomes .....	6
	3. Kinship Support Proposal .....	8
	4. Transitional Housing Placement Program .....	10
	5. Independent Living Program .....	11
	6. Child Welfare Social Worker Standards (SB 2030) .....	12
	7. Group Home Funding and Residential Services Reform.....	13
	8. Title IV-E Disallowance and TANF Funding .....	14
	9. Title IV-E Waiver.....	15
	10. Deficit Reduction Act .....	15
	11. Freeze County Funding Proposal.....	17
	12. Child Welfare Services/Case Management System.....	20
	13. Dependency Drug Court.....	22
4200	Department of Alcohol and Drug Programs	
	1. Drug Medi-Cal .....	24
	2. Proposition 36 – Substance Abuse and Crime Prevention Act (SACPA) ..	25

**Due to the volume of issues testimony will be limited.** Please be direct and brief in your comments so that others may have the opportunity to testify. Written testimony is also welcome and appreciated. Thank you for your consideration.

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## Vote-Only Issues

### 5180 Department of Social Services (DSS)

#### Vote-Only Issue 1: Foster Care Audits Staff

**Description:** The budget requests \$577,000 (\$357,000 General Fund) and the restoration of 6.0 three-year limited-term positions in the Department of Social Services to perform fiscal audits of non-profit corporations that operate foster family agencies or group home programs. The department indicates these positions are necessary to comply with existing statute, which requires these fiscal audits. In addition, these positions will improve the department's ability to monitor the programmatic and fiscal accountability of the programs. Positions previously established to perform this audit function were eliminated in 2003-04 position reduction drills.

**Recommendation:** Approve as budgeted, to allow the department to comply with existing statute and improve monitoring foster family agencies and group home programs.

#### Vote-Only Issue 2: Title IV-E Claiming Staff

**Description:** The budget requests \$793,000 (\$397,000 General Fund) for 9 positions in the Department of Social Services to ensure that federal IV-E funding for Foster Care relative placements is being accurately claimed. Title IV-E funding is limited to children whose families meet the 1996 Aid to Families with Dependent Children (ADFC) income limits. Since only a portion of California's foster care, adoptions, and child welfare caseload qualifies for IV-E funding, counties must determine which cases qualify, and submit their claims for state and federal review.

The 9 DSS positions would ensure compliance with the *Higgins v. Saenz* stipulated agreement and a corrective action agreement with the federal Administration for Children and Families, which require the department to demonstrate that children are placed in relative homes that meet the safety standards for approval and that these homes are properly entitled to receipt of federal funds. In spring 2006 the department will begin reviewing calendar year 2004 foster care claims for compliance with *Higgins* and the corrective action agreement.

California has a higher percent of children determined eligible for federal IV-E funding than most other states. For example, in 2002 the state received IV-E reimbursements for 79 percent of children in out of home placements, compared to the national average of 55 percent. The state will receive an estimated \$1.6 billion in IV-E funding in 2005-06, and \$1.7 billion in IV-E funding in 2006-07. In 2002 the state received 23 percent of all IV-E funds appropriated in the nation. However, recent federal audits have resulted in disallowances of \$45 million in 2002, \$34 million in 2003, and up to \$100 million in 2000-01. The requested positions would develop a proactive technical assistance model to improve the accuracy of federal IV-E claiming.

**Recommendation:** Approve as budgeted, to ensure compliance with the *Higgins v. Saenz* stipulated agreement and the federal corrective compliance plan on IV-E claiming.

**4200 Department of Alcohol and Drug Programs (DADP)****Vote-Only Issue 3: Drug Medi-Cal Fraud Deterrence Staff**

**Description:** The budget requests \$286,000 (\$143,000 General Fund) and 3 positions to establish a Drug Medi-Cal Fraud Deterrence Program. These resources would be used to provide more consistent oversight and monitoring of Drug Medi-Cal Narcotic Treatment Program (NTP) providers that contract directly with the DADP. These positions are projected to increase Drug Medi-Cal recoupments by \$3.7 million in 2006-07.

**Recommendation:** Approve as budgeted, to ensure consistent oversight and monitoring of Drug Medi-Cal providers, and increase Drug Medi-Cal recoupments.

---

**Discussion Issues****5180 Department of Social Services (DSS)****DSS Issue 1: Overview of Caseload, Costs, and Outcomes for Children and Family Services****Caseload and Costs Overview**

Children and Family Services includes a continuum of programs designed to protect children from abuse, neglect, and exploitation, strengthen families, deliver services to children in out-of-home care, and support the adoption of children with special needs. These programs are operated by county welfare departments, and funded jointly with federal, state, and county resources.

The budget provides \$4.8 billion (\$1.4 billion General Fund) to support children and family services programs. Federal funding for these programs is provided by Social Security Act Titles IV-B, IV-E, XIX, and XX funding, as well as Temporary Assistance for Needy Families (TANF) funds.

## Child Welfare and Foster Care Funding Sources

(dollars in millions)

<b>2005-06</b>	<b>FEDERAL IV-E</b>	<b>OTHER FEDERAL</b>	<b>STATE</b>	<b>COUNTY</b>	<b>TOTAL</b>
Child Welfare Services	\$801.5	\$565.5	\$615.9	\$208.7	\$2,191.5
Foster Care Grants	493.8	39.2	410.7	676.9	1,620.6
Foster Case Mgmt	44.3	4.5	32.2	12.4	93.4
KinGAP	0.0	67.1	15.5	15.5	98.1
Adoptions	39.5	0.0	48.8	0.5	88.8
AAP	263.1	0.0	270.4	90.2	623.7
<b>Total</b>	<b>\$1,642.2</b>	<b>\$676.3</b>	<b>\$1,393.5</b>	<b>\$1,004.2</b>	<b>\$4,716.1</b>

<b>2006-07</b>	<b>FEDERAL IV-E</b>	<b>OTHER FEDERAL</b>	<b>STATE</b>	<b>COUNTY</b>	<b>TOTAL</b>
Child Welfare Services	\$829.2	\$558.2	\$630.6	\$212.6	\$2,230.7
Foster Care Grants	510.3	38.6	395.8	676.5	1,621.2
Foster Case Mgmt	42.8	4.4	31.0	12.0	90.2
KinGAP	0.0	68.0	16.0	16.0	100.0
Adoptions	43.9	0.0	54.9	0.5	99.3
AAP	284.5	0.0	293.5	97.8	675.8
<b>Total</b>	<b>\$1,710.7</b>	<b>\$669.2</b>	<b>\$1,421.8</b>	<b>\$1,015.4</b>	<b>\$4,817.2</b>

- Child Welfare Services (CWS).** This program encompasses a variety of services designed to protect children from abuse, neglect and exploitation. Services include Emergency Response, Family Maintenance, Family Reunification, and Permanent Placement. Combined average monthly caseload for these programs is estimated to decline by 1.5 percent in the budget year, primarily due to an increase in Kin-GAP caseload, which reduces Permanent Placement services. Total funding for CWS increased by 1.8 percent, to \$2.2 billion (\$631 million General Fund).
- Foster Care Program.** The state's Foster Care program provides support payments for children in out-of-home care, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. Average monthly Foster Care caseload is estimated to decrease by 0.2 percent, to 74,200 children. In recent years group home and foster family agency caseload has been gradually increasing. Foster family homes caseload has been decreasing, primarily due to a shift to the Kin-GAP program. Nonetheless, California's Foster Care population represents approximately 20 percent of the national Foster Care caseload. Total Foster Care grants are expected to decrease by 2 percent, to \$1.6 billion (\$396 million General Fund).
- Kin-GAP Program.** The Kin-GAP program provides support to children in long-term stable placements with relatives. The projected average monthly caseload is 15,500 children, reflecting an increase of 2.7 percent. The Kin-GAP program is funded with TANF and General Fund MOE funding. Total funding for Kin-GAP increased by 2

percent, to \$100 million TANF/MOE. The Kin-GAP increase results in a decrease in Foster Family Home and Child Welfare Services – Permanency Planning.

- **Adoptions Programs.** The state’s adoptions programs include the Adoptions Assistance Program (AAP) as well as other state and county efforts to improve permanency outcomes for foster children. The AAP provides subsidies to promote permanent placement of children that are older, members of sibling groups, have disabilities, or are otherwise difficult to place. Budget year AAP caseload is expected to be 75,000, an increase of 7.9 percent over current year. Total funding for AAP and other adoptions programs increased by 8.8 percent, to \$775 million (\$348 million General Fund).

## Performance Outcome Measures

Over the past few years, major efforts have been underway to improve the child welfare system. These efforts share a new focus on outcomes – child safety, permanence, and well-being – rather than process. The reform efforts include the federal Child and Family Services Review and the Child and Welfare System Improvement and Accountability Act (AB 636, Steinberg).

**Federal Child and Family Services Review (CFSR):** In 2002, the federal Administration for Children and Families (ACF) conducted a performance review of California’s child welfare system for the first time. The performance review included two broad sets of evaluation criteria. Both sets of criteria contained seven separate subareas for review. The first part of the review, referred to as “systemic,” focused on factors such as training, statewide data collection, and the state’s quality assurance processes. The second part of the review focused on seven measurable outcomes within three broad areas: safety, well-being, and permanency of children involved in the system.

In 2002, California passed two of the seven systemic factors and failed all seven of the outcome measures pertaining to child safety, well-being, and permanency. As a result, the state was required to develop and implement a Performance Improvement Plan (PIP) in order to avoid penalties in the form of reductions in federal funding. The PIP outlined the degree of improvement that the state needed to achieve in order to avoid penalties, as well as a number of action steps that the state was required to take.

As of July 2005, ACF certified that the state had successfully met all seven of the systemic factors and completed the required action steps in the PIP. Final data review for the other seven outcome measures will not occur until April 2007, based on data collected through the third quarter (end of September) of 2006.

**AB 636, California Child Welfare System Improvement and Accountability Act:** In 2001, the Legislature passed the Child and Family Welfare System Improvement and Accountability Act (AB 636, Steinberg) to replace the state’s process-driven county compliance review system with a new system focused on results for children and families. Using the federal CFSR standards as a starting point, AB 636 established a framework for measuring county performance and monitoring improvement in ensuring the safety, permanence, and well-being of children.

However, AB 636 also added outcome measures and requirements that were important to California.

Starting in January 2004, counties began engaging their communities in examining performance and developing specific plans for system improvement. In this initial self-assessment phase, counties examined their strengths, service gaps and needs based on the outcome measure data. Each county prepared and submitted a self-improvement plan to the department and began implementing new practices and policies designed to improve their performance. The system is structured as an ongoing quality improvement program, with each county monitoring its quarterly performance data and adjusting its approach accordingly.

Counties have also been participating in peer quality case reviews focused on areas needing improvement. In these focused reviews, neighboring counties partner with the department to review a random sample of cases and interview social workers to generate qualitative in-depth analysis of case results while promoting best-practice sharing among counties.

**CWS Improvement Pilot Projects:** In addition, beginning in 2004-05, 11 counties have received funds for pilot projects to improve their CWS outcomes. The pilots have focused on three methods for improving CWS delivery: (1) differential response intake, (2) standardized safety assessment, and (3) improving permanency and youth services. The success of these pilot projects will help improve outcomes measured by AB 636 and the CFSR.

Funding for CFSR, AB 636, and CWS improvement pilots includes the following:

	<b>2005-06</b>		<b>2006-07</b>	
	<b>Total Funds</b>	<b>General Fund</b>	<b>Total Funds</b>	<b>General Fund</b>
AB 636 County System Improvement Plan	\$11.2 million	\$4.9 million	\$11.2 million	\$4.9 million
Data Improvement for AB 636 and CFSR	\$1.1 million	\$468,000	\$1.1 million	\$484,000
AB 636 Peer Quality Case Reviews	\$1.9 million	\$813,000	\$2.0 million	\$890,000
CWS Improvement Pilots	\$13.7 million	\$7.8 million	\$13.7 million	\$7.8 million
AB 636 Outcome Improvement	\$5.9 million	\$3.7 million	\$12.9 million	\$7.6 million
<b>Total</b>	<b>\$33.8 million</b>	<b>\$17.7 million</b>	<b>\$40.9 million</b>	<b>\$21.7 million</b>

### **Additional Funding to Improve Outcomes?**

The Subcommittee may wish to consider additional funds for CWS Improvement Pilots. This funding would allow counties to expand into areas where current efforts point toward the need for improved outcomes for children and families. Additional counties could implement Differential Response projects; others could expand current targeted efforts to a greater number of families. More counties could initiate or expand multi-disciplinary teams, which bring community organizations together with family members to build a coordinated set of services to

meet a family's unique needs. Supports could be expanded for Foster Parents and relatives to improve placement stability. With additional funding, counties would be able to develop promising initiatives tailored for their communities.

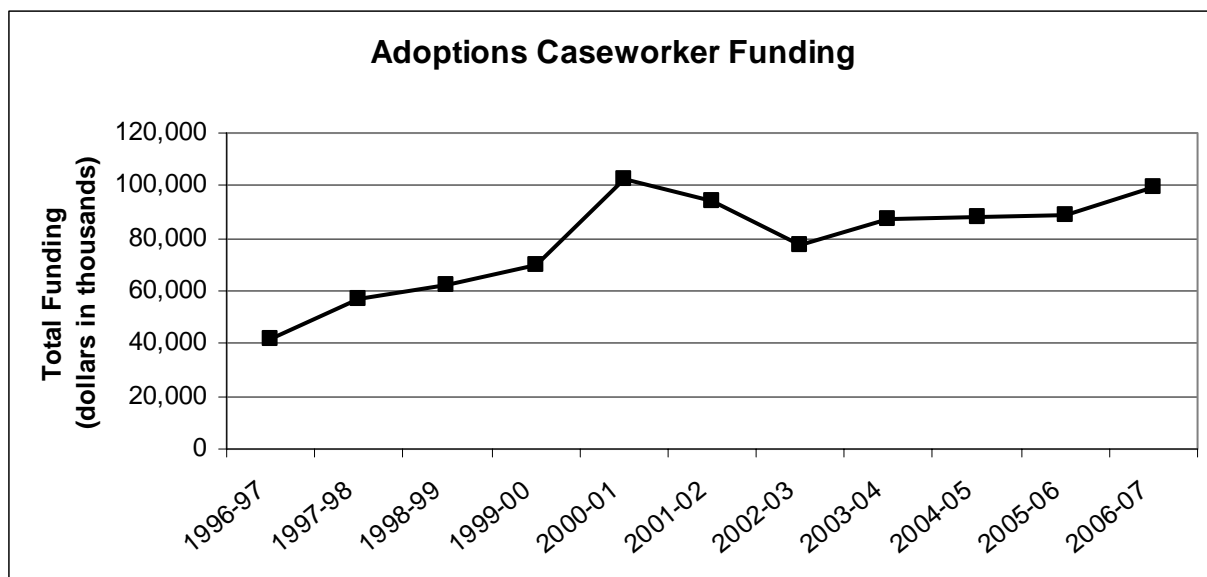
Data produced by the UC Berkeley Child Welfare Performance Indicators Project shows that counties are making positive progress on most measures. The number of children in foster care has dropped without compromising child safety. Children who do enter foster care are now leaving care more quickly to return to their families or to adoption. The recurrence of child abuse or neglect has decreased slightly, while re-entry rates have also declined.

**Panel Discussion – Please discuss the outcomes for state and federal performance measures, and the outcomes of the 11 county pilot projects.**

- Mary Ault, Department of Social Services
- Barbara Needell, UC Berkeley
- Frank Mecca, County Welfare Directors Association
- Lauren Nackman, Legislative Analyst's Office

### **DSS Issue 2: Improving Adoptions Outcomes Proposal**

**Description:** The budget requests a total of \$12.2 million (\$7.1 million General Fund) to hire additional state and county adoptions caseworkers, who are estimated to result in 560 additional adoptions in 2006-07. Funding for adoptions caseworkers has remained relatively flat in recent years, while the number of children needing permanent placement has increased.



**Background:** Tens of thousands of children of all ages in California are currently living in foster care, and are not expected to reunify with their parents. These children will likely grow up in foster care unless they are adopted. Children who grow up in foster care are significantly at risk for adverse outcomes as adults, such as becoming homeless, incarcerated, teen parents, or unemployed. Repeated moves through the foster care system increase poor outcomes.

To increase the number of foster care children that are adopted, the department requests \$1.4 million (\$698,000 General Fund) to hire 16.5 DSS positions in the Adoptions Services Bureau (ASB), which serves a 28-county service area. Two of these positions would work exclusively with older, hard-to-place foster youth. The department also requests \$10.8 million (\$6.4 million General Fund) for local assistance to reflect a 15.6 percent increase in county adoptions caseworkers, offset by minor adjustments in Foster Care and AAP costs.

More specifically, the department indicates the requested resources would be used as follows:

- Train the ASB and county child welfare partners by consulting and training with nationally known older youth adoption experts.
- Learn and build on the knowledge of Sierra Adoption Service's staff, who have successfully placed older youth for adoption through the federally funded Destination Family Program.
- Receive technical assistance and training from the California Permanency for Youth Project (CPYP) whose objective is implementing new practices to achieve permanency/adoption for older youth.
- Conduct extensive case reviews on children with the plan of long term foster care to identify older youth for adoption.
- Engage and involve the older youth in the process of adoptive placement and adoption decisions by explaining the adoption process and discussing options with the youth.
- Utilize tools and action plans for helping youth consider adoption: The ASB will develop videos of older children that have been successfully adopted as well as facilitate meetings between older youth that have been successfully adopted and youth that are still waiting in long term foster care.
- Utilize targeted recruitment strategies, such as expert guest speakers providing adoption-education presentations and adopted-youth speaking to pre-adopted youth participating in the Independent Living Program.
- Contact the youth's birth and previous foster families, teachers, group home employees and therapists to identify possible adoptive families that may not have been an option when the child entered the foster care system.
- Facilitate potential cross-jurisdictional placements.
- Assess, prepare, train and support families willing to provide an adoptive home for an older youth.
- Provide parent/older youth adoption matching activities that are comfortable to the youth and family. For example, meeting at a pizza parlor, skate parks, video game rooms, sending each other videos or photo albums.
- Complete the adoptive placement of the youth with the family and include the full range of adoption services given to the ASB's adoptive children and families.



- Provide adoption post-placement and post-finalization services such as Adoption Assistance, crisis intervention and wrap around services.

The department indicates that the Adoptions Services Bureau positions are expected to result in 105 finalized adoptions per year, plus 16 additional adoptions of foster youth aged 11 and older. These adoptions are expected to result in General Fund savings of \$5.1 million across 12 years, due to reduced foster care and child welfare services costs. The department also indicates that the additional county welfare department funding would result in 1000 finalized adoptions per year, although only 500 adoptions in the first year, as the adoption finalizations would not begin to occur until January 2007. These adoptions are expected to result in General Fund savings of \$361,000 in 2006-07, and \$23.5 million savings across 12 years, due to reduced foster care and child welfare services costs.

**Questions:**

1. DSS, please describe the proposal.
2. DSS, how has the number of adoptions finalized by state or county staff changed in recent years? How would this proposal affect that trend?

**Recommendation:** Hold open until May Revision.

<b>DSS Issue 3: Kinship Support Expansion Proposal</b>
--

**Description:** The budget requests an additional \$2.5 million General Fund to expand current county programs and allow all counties to apply for Kinship Support Services funds.

**Background:** The Kinship Support Services Program (KSSP) provides community-based family support services to kinship (relative) caregivers and the children who are placed in their homes by the juvenile court or who are at risk of dependency or delinquency.

The increasing number and proportion of children in out-of-home care placed in the homes of relatives are among the most important child welfare trends of the decade. The increasing number of children in care and the declining pool of traditional foster families, along with recognition of the benefits of family care, are among the forces that have led to a growing use of kinship care.

This program allows eligible counties to combine resources and partner with community-based organizations to support programs that provide supportive services to relatives caring for abused and neglected children and those at risk of becoming dependent children. Some of the services include respite, support groups, training, family counseling, mental health, legal services, tutoring, and linkages and referrals to other resources in the community, including medical and housing. These services encourage and enable relatives to take in or keep relative foster children in their homes, instead of these children going into Foster Family Agency or Group Home care.

Relative caregivers are often aging grandparents, single and in declining health, socially isolated or emotionally unprepared to assume the responsibility of raising young children, despite how much they love them. The children, often abused or neglected, may have physical or behavioral problems that require professional help as well as the nurturing attention of the relative caregiver. The services provided by KSSP help maintain the placement and keep it from unraveling as economic, behavioral, educational and other childrearing stress arises that can threaten the stability of the placement.

These services also assist relative caregivers, who are informally caring for relative children without government intervention, by providing cost effective alternatives to prevent the children from entering the foster care system. KSSP also prevents children from reentering the foster care system when they have exited through programs such as the Kinship Guardianship Assistance Payment Program (Kin-GAP) a permanency option for children in appropriate, long-term foster care placements with relative caregivers and now rely on community services that would have otherwise been provided by their child welfare social worker.

KSSP strives to:

- Stabilize new or troubled placements of children in kinship care, reducing the likelihood of their being removed to traditional foster care.
- Immerse relative caregivers in a supportive community of other caregivers.
- Support the mental health, physical health, and overall well-being of relative caregivers.
- Educate, empower, and energize relative caregivers for parenting.
- Provide children in relative care with supportive mental health and educational enrichment services.
- Direct relative caregivers to other helpful resources and services.

The budget requests an additional \$2.5 million General Fund to expand current county programs and allow all counties to apply for Kinship Support Services funds. This program was funded at \$1.5 million General Fund for eleven counties in 2005-06. For 2006-07, the application process will require each interested county to submit a comprehensive proposal outlining how many relative caretakers reside in their county, what services will be provided to relative caretakers and the children in their care, how the county will develop the necessary community supports, how many relative caretakers and children will be served, and what the county outcome improvement goals are for the program. The proposals must also include a description of how each county will measure the success and cost-effectiveness of their program, and how the county will report these measures to DSS.

### **Questions:**

1. DSS, please present the proposal.

**DSS Issue 4: Transitional Housing Placement Program (THPP)**

**Description:** The budget requests an additional \$1 million General Fund to augment the Transitional Housing Placement Program (THPP). Total funding for THPP in 2006-07 is proposed at \$8.2 million (\$2.8 million General Fund). The additional funding will allow more counties to participate in THPP, which provides housing assistance to emancipating foster youth aged 16 to 24. Although counties have a sixty percent share of cost for THPP services provided to children 18 and older, over 28 counties are participating in THPP, and additional applications are pending.

**Background:** Each year, approximately 5,000 youth emancipate from the foster care system in California; many leave without the resources, skills or abilities to find safe housing and support. These youth are at a critical juncture and may become homeless, out of school, unemployed, and receive CalWORKs or, with housing and other support, become healthy and productive citizens.

According to the Campaign for Safe Transitions:

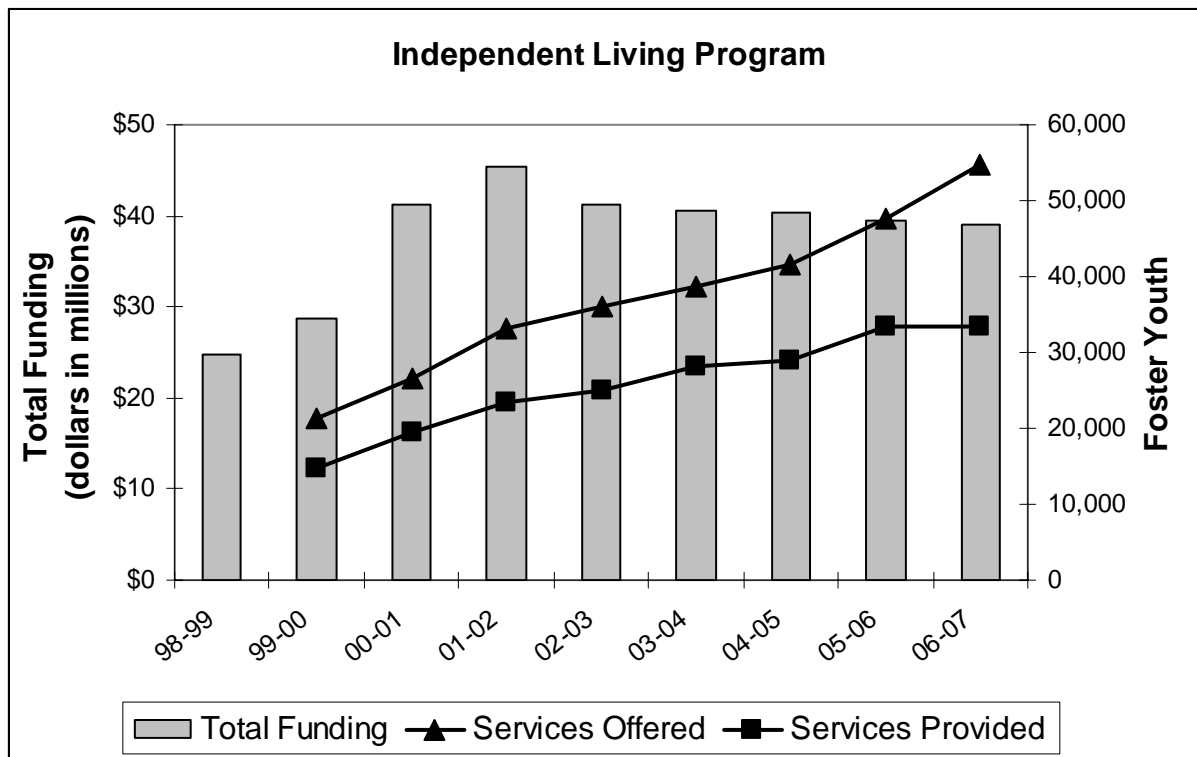
- Nearly a third of foster youth will become homeless at some time within the first year after they leave the system at age 18. Approximately 65% of California youth graduating from foster care in 2000-2001 were in need of safe and affordable housing at the time of graduation.
- Fewer than 10% of foster youth enroll in college and only 1% actually graduate.
- Unemployment rates for emancipated youth are estimated at 50%.
- Emancipated foster youth earn an average of \$6,000 per year.
- About one fourth of former foster youth will be incarcerated within the first two years after they leave the system and approximately one third of former foster youth will be on public assistance shortly after aging out of the system.
- It is estimated that 10% of the young women emancipating from foster care in California are parents and that existing services for teen mothers are inadequate.
- 67% of females emancipated from the child welfare system in California had at least one birth within five years of leaving care.
- 40% of emancipated foster youth with one child reported having special needs due to pregnancy or parenting which interfered with independent living.

**Questions:**

1. DSS, please describe the proposal.

### DSS Issue 5: Independent Living Program

**Description:** The budget includes \$38.6 million (\$15.2 million General Fund) in 2006-07 for the Independent Living Program (ILP). Funding for ILP has been slightly declining since 2002-03. However, the number of foster youth served by the program has been steadily increasing, and the number of youths that can be served by the program will be limited in 2005-06 and 2006-07. Additional funding of \$34.8 million General Fund would be needed to serve all eligible foster youth.



**Background:** The Independent Living Program (ILP) provides training and assistance to foster care adolescents and emancipated youth to enable them to be independent. County welfare departments provide or arrange for these services, which include educational assistance, employment, life skills training, and housing. This program serves youth ages 16 to 21, and in some counties includes youth ages 14 and 15 when it is determined that these youth would most likely remain in foster care until emancipation.

The funding allocation for ILP is not caseload driven, does not take into consideration any increasing costs for county cost-of-business, and is not tied to the actual cost for providing services at a “best practice” or other standard level. Funding for ILP was allocated on a caseload basis in 1999-00. Since then, the General Fund portion of the ILP allocation has been held flat, and any funding changes have been due to federal funding changes. The result has been a continuous erosion of funding per youth over time, clearly moving in the opposite direction when it comes to services to support emancipating foster youth. Funding per youth served has

declined from \$1,939 in 1999-00 to \$1,009 in 2006-07. Additional funding of \$34.8 million General Fund for this program would restore the program to the 1999-00 per youth level.

**Questions:**

1. DSS, please describe the Independent Living Program.

**DSS Issue 6: Child Welfare Services Social Worker Standards (SB 2030)**

**Description:** There has been an ongoing effort in the Child Welfare Services (CWS) program to determine how many cases a social worker can carry and still effectively do his or her job. In 2000, the Child Welfare Services Workload Study required by Chapter 785, Statutes of 1998 (SB 2030, Costa) determined that those caseload standards were too high and that social workers had too many cases to effectively ensure the safety and well-being of California's children. Trailer bill language for the Budget Act of 2005 requires the department to report annually on progress made on reaching the SB 2030 CWS caseload standards.

**Background:**

**Child Welfare Services Workload Study (SB 2030) Findings:** In 1998, the Department of Social Services commissioned the SB 2030 study of counties' caseloads. At the time, the study concluded that for most categories the caseloads per-worker were twice the recommended levels. According to the study, it was difficult for social workers to provide services or maintain meaningful contact with children and their families because of the number of cases they were expected to carry.

The report also found that the 1984 standards used by the state were based on outdated workload factors, and did not reflect any additional responsibilities that had been placed on social workers by the state and federal governments. These findings and the minimal and optimal social worker standards proposed by the report have been included in budget discussions regarding staffing standards since the report's release. However, due to the state's budget shortfalls, the department has continued to use the 1984 workload standards, instead of the minimal and optimal standards, as the basis for allocating funds to counties for child welfare services staff. Although the 1984 workload standards are still in use, additional funding of approximately \$330 million (\$143 million General Fund) has been provided in recent years to move closer to SB 2030 standards.

**Annual Report Requirement:** The human services trailer bill for the Budget Act of 2005 requires DSS to report annually at budget hearings on how close the state is to achievement of the SB 2030 standards.

**Questions:**

1. DSS, please explain the SB 2030 standards. Is the status report on achievement of those standards available yet?

**DSS Issue 7: Group Home Funding and Residential-Based Services Reform**

**Description:** Foster Care group home rates have been increased in only four of the last fourteen years. Although the Consumer Price Index has increased by over 52 percent since 1990-91, group home rates have increased by 27 percent in that time. The Subcommittee may wish to consider a group home rate increase in 2006-07, continuance of existing rate relief provisions, and funding for an evaluation of residential-based services reform options.

**Background:**

There are approximately 13,000 children and youth placed in programs that are referred to generically as “group homes” in California. Of those, about 7500 are dependents of the court placed by county child welfare services, 4500 are wards of the court placed by county juvenile probation departments, and 1000 are placed voluntarily by their parents through county mental health departments pursuant to individual educational plans. There are approximately 1800 licensed residential facilities in the state serving these children, ranging in size from single 6-bed homes sprinkled in the community to large campus-style programs with a single license.

Children and youth placed in group home programs fall into a number of need-related categories including: (1) emotionally disturbed youth and those with mental illness, (2) youth in the juvenile justice system with behavioral disorders, (3) youth with substance abuse problems, (4) juvenile sex offenders, (5) children and youth in need of emergency shelter and assessment, (6) older youth emancipating from the foster care system, (7) youth in need of life skills training, (8) pregnant and parenting teens, and recently (9) foster youth placed in academically-focused academies.

The Subcommittee may wish to consider the following budget proposals for Group Homes:

- **Rate Relief Provisions:** The Legislature adopted group home rate relief provisions in 2002-03, 2003-04, 2004-05, and 2005-06. These provisions allowed facilities more flexibility in the Rate Classification Levels, but do not result in additional General Fund costs. Group home providers have requested continuance of these rate relief provisions in 2006-07.
- **Foster Care Rates:** The cost to provide a 3.75 percent increase for all Foster Care providers would be \$58.3 million (\$16.4 million General Fund) in 2006-07. The cost to provide an increase for group home providers only would be \$25.8 million (\$7.4 million General Fund).
- **Group Home Reform Plan:** The Subcommittee may wish to consider funding for a consultant to develop a plan for group home reform. A number of studies, reviews, reports, legislative hearings, workgroups and stakeholder sessions have underscored the need for improvement in the use of group homes. While efforts at both the county and state levels have focused on reducing the utilization of group homes, little has been done to define the specific roles of residentially-based services within the broader child welfare, juvenile justice, and mental health systems.

This plan would build on the efforts of the Residentially-Based Services Reform workgroup, which includes advocates, providers, local government, legal, legislative, and Administration representatives. This group has developed a comprehensive framework document that could be used as a starting point for development of a group home reform implementation plan.

**Questions:**

1. DSS, please briefly describe current reimbursement rates for group homes.

**Recommendation:** Hold open until May Revision.

<b>DSS Issue 8: Title IV-E Disallowance and TANF Backfill</b>
---

**Description:** The budget proposes to shift \$32 million in current year and \$26 million in budget year in Temporary Assistance for Needy Families (TANF) funding from CalWORKs to the CWS-Emergency Assistance Program, to backfill a Title IV-E federal funding disallowance. The budget also proposes to shift \$25.3 million General Fund in the current year and \$8.4 million General Fund in the budget year to backfill a \$33.8 million Title VI-E federal funding disallowance for Foster Care for calendar year 2003. The Joint Legislative Budget Committee has indicated concerns with the current year transfer request, as it is not consistent with the provisions of Section 28, and it would limit Legislative flexibility with scarce TANF resources.

**Background:**

- **Title IV-E Funding Requirements:** Title IV-E funding is limited to children whose families meet the 1996 Aid to Families with Dependent Children (AFDC) income limits. Only a portion of California's foster care, adoptions, and child welfare cases meet these income limits and qualify for matching federal IV-E funding. Services for those cases that do not qualify for IV-E are funded with state and county funds. Counties must determine which cases qualify for IV-E funding under various circumstances, and submit their claims for state and federal review.
- **California Receives High Proportion of IV-E Funds.** California has a higher percent of children determined eligible for federal IV-E funding than most other states. For example, in 2002 the state received IV-E reimbursements for 79 percent of children in out of home placements, compared to the national average of 55 percent. Although recent federal audits have resulted in disallowances of \$45 million in 2002, \$34 million in 2003, and up to \$100 million in 2000-01, the state will still receive an estimated \$1.6 billion in IV-E funding in 2005-06, and \$1.7 billion in IV-E funding in 2006-07. In 2002 the state received 23 percent of all IV-E funds appropriated in the nation.

**Questions:**

1. DOF/DSS, why should TANF be substituted for General Fund resources in Child Welfare and Foster Care, particularly when the state has a relatively high proportion of cases that qualify for IV-E funding, and TANF resources are needed in the CalWORKs program to increase the state's work participation rate?
2. DOF/DSS, does the Administration have the authority to shift TANF to new purposes without Legislative consent?

**Recommendation:** Hold open until May Revision.

**DSS Issue 9: Title IV-E Waiver BCP**

**Description:** The budget requests \$805,000 (\$403,000 General Fund) to extend 4 limited-term positions for development and implementation of the Title IV-E Child Welfare Waiver Demonstration "Capped Allocation" Project (CAP).

**Background:** The department has been negotiating with the federal government for a number of years to develop this waiver. If approved, this waiver would allow the use of Title IV-E funds for preventive child welfare services, such as improved hotline response, more parenting education and counseling, multi-disciplinary teams, and services to more families on a voluntary basis. Note that the Deficit Reduction Act of 2005 has set a deadline of March 31, 2006 for all IV-E waivers to be approved.

**Questions:**

1. DSS, please describe the status of the waiver negotiations with the federal government.

**Recommendation:** Hold open until April 20<sup>th</sup> hearing, pending information about the outcome of the federal waiver negotiations.

**DSS Issue 10: Deficit Reduction Act**

**Description:** As a result of lost federal Title IV-E funds under the federal Deficit Reduction Act of 2005, the state faces additional General Fund costs of approximately \$15 million in 2005-06 and \$20 million in 2006-07 for certain foster care services and programs. The Act also provides \$5 - \$10 million additional federal Title IV-B funding in 2005-06 and 2006-07. However, the additional IV-B funding cannot be used in place of the lost IV-E funding.

**Background:** The federal Deficit Reduction Act of 2005, approved by Congress on February 1, 2006, includes two significant restrictions on claiming matching federal Title IV-E funds for



certain types of foster care activities and cases, effective October 1, 2005. The Act also provides additional Title IV-B funding.

- **Certain Children Federally Ineligible for Foster Care (Reversal of Rosales).** Pursuant to the 2003 *Rosales v. Thompson* federal court case, a child removed from his/her home as a result of abuse or neglect, may be eligible for federal foster care assistance regardless of whether the child's "home of removal" was eligible for aid under federal income guidelines. Children most frequently affected by this decision were those who were removed from their homes and then placed with relatives who subsequently sought financial assistance. As a result of this court ruling, a relative could receive a foster care grant rather than a CalWORKs child-only grant payment. The Deficit Reduction Act amends federal law so as to effectively reverse the Rosales decision.

The Act reduces federal funds coming to California in two ways. First, the foster children affected by the federal change revert back to being CalWORKs child-only cases, where the federal government does not share in these grant costs. Second, the Act shifts some nonrelative caregiver cases from federally funded foster care to a program that is state- and county-funded only. These changes are retroactive to October 1, 2005.

- **No Federal Funding for Case Management of Certain Placements.** The Deficit Reduction Act explicitly places limits on the claiming of federal funds for case management services for children placed in ineligible facilities, such as those residing in unlicensed relative homes, detention centers, or hospitals. Currently, the state may receive federal reimbursement for certain case management costs while children are in these settings.
- **Increased Funding for Child Abuse Prevention and Court Improvements.** The Deficit Reduction Act increases national Promoting Safe and Stable Families (PSSF) Funds by \$200 million over five years. PSSF funds are one of two parts within federal IV-B funds for child welfare and foster care. The Department of Social Services estimates that the state will receive \$5 - \$10 million in 2005-06 and 2006-07 in additional PSSF funds. The bill also provides \$100 million nationally over five years for juvenile court improvements. California is likely to receive roughly 10 percent of these funds.

PSSF funds are to be used on services to support families and avert foster care, and time-limited services to reunify families and promote adoption. Specific PSSF funding restrictions include:

- IV-B funds cannot be used to supplant existing state or local spending.
- A minimum of 20 percent of PSSF funds must be spent on each of the four components of the program (Family Preservation Services, Family Support Services, Adoption Promotion and Support, and Time-Limited Family Reunification).
- A 25 percent match from state or county funds is required. This match is made available through existing State Family Preservation Program funds.

Prior to passage of the Deficit Reduction Act, the state's current year PSSF grant was \$45.8 million, and the budget year grant was \$42.2 million. Historically, 15 percent of the grant is held back for state operations and contract costs. For example, in 2005-06, approximately \$6.9 million was held back and approximately \$39 million was allocated to counties for child welfare services programs. Of the amount for state operations and contracts, \$1.2 million is used for state operations and \$5.7 million is used for contracts. In 2006-07, \$6.3 million is anticipated to be held back (\$1.2 million will be used for state operations and \$5.1 million will be used for contracts) and \$35.9 million will be allocated to counties.

**Questions:**

1. DSS and LAO, please discuss the fiscal impact of the Deficit Reduction Act for foster care and child welfare services. How much IV-E funding is anticipated to be lost in 2005-06 and 2006-07?
2. DSS, how does the Administration propose to allocate the additional PSSF funding?

**Recommendation:** Hold open until May Revision.

**DSS Issue 11: Freeze County Funding Proposal**

**Description:** The Governor's Budget proposes legislation to freeze state participation in county administrative costs in health and social services programs at the 2005-06 level. Under this proposal, state support would be adjusted for caseload and workload but not for inflation. As shown in Attachment I, most of these programs have not received cost of doing business increases since 2000-01, and have also received budget cuts in recent years. The total annual impact of unfunded cost of doing business increases and budget cuts since 2000-01 is \$942 million (\$665 million General Fund) for non-child support programs.

**Background:** The Legislative Analyst's Office has provided the following background on this proposal.

The Governor proposes trailer bill legislation to limit state participation in county administrative costs for "salaries, benefits, and overhead" to the amount provided in the *2005-06 Budget Act*, as adjusted for caseload. This limit would begin in July 2006 and would apply to 14 different programs operated by DSS, the Department of Health Services (DHS), and the Department of Child Support Services (DCSS). Counties would have the option of using their own funds to pay for inflationary increases in administrative salaries, benefits, or overhead. If a county provides its own funds for inflationary increases, the county monies would draw down federal funds to the extent the federal government normally provides matching funds.

**General Fund Savings.** Compared to current law and current budgeting practice, the Governor's proposal results in General Fund savings of \$21.2 million in the Medi-Cal Program in 2006-07. There are no savings in the other programs for 2006-07 because they have received no inflationary adjustments since 2001-02 or earlier. This proposal would result in some out-year cost avoidance.

**What Is County Administration?** County administration covers a range of activities depending on the program. Sometimes county administration means administrative, clerical, or supportive efforts that facilitate delivery of a service or a benefit (for example, determining eligibility for benefits, payment of service provider bills, personnel management, accounting, and fraud prevention/investigation). The Medi-Cal Program generally fits this description. Counties receive approximately \$1.2 billion to cover the cost of county eligibility workers who determine if applicants are eligible for Medi-Cal benefits. Another example is the CalWORKs program where county staff determine an individual's eligibility for the program, including determining the amount of the cash grant and employment services to be received by the recipient.

In other programs, county workers may not be providing a specific cash payment or "benefit." Instead, the salaries and support for the staff constitute the entire program. For example, the Child Welfare Services (CWS) program provides (1) social workers who respond to allegations of child abuse, (2) services to children and families where abuse or neglect has occurred, and (3) services to children in Foster Care who have been removed from their parents. Most of the services are provided by county social workers in the form of case management and counseling. In addition, the social workers are supported by a county administrative structure that provides services including accounting, personnel management, and clerical support. In sum, all program costs are for social workers and related county administrative staff. Child support enforcement is similar to child welfare services in that virtually the entire program is administration.

**Budget Methodology for County Administration.** During the 1990s, most budgets for county administration of health and social services programs were set through the Proposed County Administrative Budget (PCAB) process. Under PCAB, counties submitted proposed budgets and staffing levels for their programs based on estimated costs, caseload, and workload. These requests included adjustments for inflation. State departments such as the Department of Social Services (DSS) or the Department of Health Services (DHS) then reviewed these proposed budgets to determine if the requests were "reasonable" and "consistent" with current state law and made any necessary adjustments. Under PCAB, administrative budgets reflected increased costs due to workload and inflation.

**No Inflationary Adjustments for Most County Administration Social Services Budgets Starting in 2001-02.** During the state's budget crisis, the Governor and Legislature began to freeze county administrative allocations within DSS. Beginning with 2001-02, most county-administered social services programs were held at their 2000-01 budget level, adjusted for caseload. No adjustment for inflation was provided. The one exception was for the CWS program. This program received an increase for inflation for

2001-02. Since 2001-02, there have been no adjustments to county administrative allocations to account for inflation in any DSS programs.

County administrative allocations within the Department of Child Support Services (DCSS) followed a similar pattern. County allocations were last increased in 2001-02. Then in 2002-03, county administrative allocations were reduced by 5 percent and have been frozen since then.

**Medi-Cal Administration Costs Reflect Inflation.** In contrast to the social services programs operated by DSS and DCSS, county administrative allocations for Medi-Cal have been adjusted annually for inflation through 2005-06.

The Governor's proposal essentially delegates the decision about whether to reduce service levels in the face of inflationary cost pressures to the counties. County decisions will vary based on their priorities and their individual fiscal situations.

**Meeting State Objectives.** Each of the programs that would be subject to the proposed freeze was enacted by the Legislature with specific state goals and objectives. Counties administer these programs as agents of the state with the aim of meeting the state established program goals. Unless the counties elect to use their own general purpose revenues to cover inflationary costs, lack of state funding for inflation could slowly erode service levels.

**Proposal Is Inconsistent With Budget for State Operations**

For 2006-07, the Governor's budget generally provides a 3.1 percent inflationary adjustment for most departments to cover increased costs in operating expenses and equipment. Counties face identical cost pressures, but, pursuant to the Governor's proposal would receive no state funds to cover inflationary costs.

**Short-Term Budget Solution Vs. Long-Term Budget Policy**

During times of fiscal difficulty, not providing inflationary adjustments is a potential budget solution. As discussed earlier, allocations for administration of most social services programs have not received an inflationary adjustment since 2001-02. Moreover, the Legislature and Governor have suspended the state cost-of-living adjustments for recipients of both Supplemental Security Income/State Supplementary Program and the CalWORKs program in 2005-06 and 2006-07. These budget solutions, however, have been adopted on a one-year or two-year basis. By proposing trailer bill legislation, the Governor is moving from a system of relatively short-term budget solutions to a long-term budget policy with implications for the state county fiscal relationship.

**LAO Recommendation:** The Governor's proposal would limit state participation in county administrative costs for salaries, benefits, and overhead to the amount provided in the *2005-06 Budget Act*, as adjusted for caseload. The LAO recommends rejecting the Governor's proposal and offers suggestions for developing an alternative policy.

**Reject Trailer Bill Proposal**

In the LAO's view, there is not a compelling case for adopting trailer bill legislation creating a long-term budget policy of limiting state participation in county administration. The proposed language would restrict legislative flexibility to adjust funding and service levels in county administration.

**Adopt a Consistent Approach to Budgeting County Administration**

With respect to county inflationary adjustments, the LAO recommends that the Legislature take a consistent approach for all county-administered state programs. Specifically, if an increase is to be provided, it should generally be the same percentage increase for all such programs. Conversely, a decision to provide no increase should be applied to all county-administered programs. Having a consistent policy would eliminate the incentive for counties to shift overhead costs from social services to Medi-Cal (where inflationary adjustments have been granted). This approach has the merit of bringing consistency to budgeting for all county-administered health and social services programs. To the extent the Legislature is concerned about different service levels that have developed in the various programs as a result of differential inflationary adjustments, this could be addressed through separate budget action.

**Questions:**

1. DSS, please present the proposed trailer bill language. Would it create a state reimbursable mandate?
2. LAO, please present your recommendation.

**Recommendation:** Reject the DSS and DCSS portion of the proposed trailer bill language, as those portions of the language are not necessary to achieve savings, and they would restrict Legislative flexibility and authority. The remaining portions of the language that affect DHS will be considered in a later Subcommittee hearing.

<b>DSS Issue 12: Child Welfare Services/Case Management System (CWS/CMS)</b>
--

**Description:** The Child Welfare Services/Case Management System (CWS/CMS) provides database, case management, and reporting functions to allow county and state users to track child abuse and neglect cases statewide. The CWS/CMS application hosting is currently being transferred from a private vendor location to the Department of Technology Services (DTS). The state Office of Systems Integration, in conjunction with DSS, is also developing a request for proposal for a replacement system for CWS/CMS, as required by the federal government.

**Background:** The budget provides \$110.4 million (\$55.1 million General Fund) for maintenance of the existing CWS/CMS and other federally-required activities known as the Go Forward Plan. This Plan includes a Technical Architectural Alternative Analysis (TAAA), migration of the application hosting to DTS, and other activities to determine if or how the CWS/CMS should be changed to meet federal standards. The TAAA report, submitted April 1, 2005, recommends that the state develop a new web-services based system to replace CWS/CMS.

- **CWS/CMS Federal Funding Background.** In 1993, the federal government offered enhanced funding to any state that agreed to develop a Statewide Automated Child Welfare Information System (SACWIS). A SACWIS system performs certain functions such as processing child abuse investigations and preparing foster care case plans. If a state chose to develop such a system, then the federal government provided "incentive funding" at 75 percent of total costs for the first three years of the project's development and then 50 percent for the subsequent years. In 1994, California received federal approval to develop CWS/CMS as SACWIS-compliant. In 1997, the state announced the completion of the CWS/CMS system when it became operational in all counties.
- **Federal Government Expresses Concerns About CWS/CMS.** The federal government, however, did not consider CWS/CMS complete because the system did not meet all the SACWIS requirements. Starting in 1999, the federal government raised concerns about the inability of the CWS/CMS system to meet SACWIS requirements. In June 2003, the federal government notified the state that it did not consider CWS/CMS to meet SACWIS requirements. As a result of that decision, the federal government reduced its share of funding for CWS/CMS from roughly 50 percent to 30 percent. In addition, the federal government notified the state that it would not provide *any* federal funding for the current contract after August 2005.
- **Go Forward Plan Is State's Strategy to Address Federal Concerns.** Starting in March 2004, the administration began developing a strategy to address the federal government's concerns about achieving SACWIS compliance. In August 2004, the administration provided its SACWIS compliance strategy—the Go Forward Plan—to the federal government. The plan consists of three components:
  - Conducting a Technical Architecture Alternatives Analysis (TAAA) to determine the costs and benefits of achieving SACWIS compliance versus non-SACWIS compliance.
  - Developing a Request for Proposal for a contractor to maintain the CWS/CMS software.
  - Transferring the CWS/CMS hardware from the current contractor's site to DTS. The transfer to DTS is scheduled to be completed by March 2006.

In October 2004, the federal government approved the CWS/CMS Go Forward Plan and restored SACWIS funding to the project. In addition, the federal government retroactively provided SACWIS funding for July 2003 to September 2004.

- **Transfer CWS/CMS to DTS and Reprocure Maintenance Contract.** IBM previously provided both maintenance and hosting for CWS/CMS at its Boulder, Colorado facility. The transfer of the application hosting to DTS is intended to improve the competitive bidding process for the upcoming CWS/CMS maintenance contract reprocurement. The net fiscal impact to the state of the transfer of this system is net costs of \$5.3 million in 2005-06, but net annual savings of \$2.6 million in 2006-07 and future years.
- **TAAA Report.** This report, submitted to the Legislature on April 1, 2005, identified a number of unmet business needs of the Child Welfare Services program, which are consistent with federal SACWIS requirements. The report indicates that CWS/CMS is perceived as cumbersome by social workers and does not support service delivery practices in an efficient and effective manner. In fact, many social workers report that current system limitations inhibit the amount of time they can spend in the field serving children, their families, and communities. The report quotes a county case worker as saying, "We can make the system work, but it should work for us."

The report recommended that the state continue maintenance and operations of the current CWS/CMS while simultaneously building a new SACWIS application using a web services based technical architecture. This option provides the best implementation of the business and technical criteria, and was also ranked best in time (36 months to implement) and best cost option (ten year cost of \$1.17 billion total funds). The department indicates that making no changes to the system was not an alternative because it did not meet the business needs of the counties and could result in a major loss of federal funding.

#### Questions:

1. OSI/DSS, what is the status of the transition of CWS/CMS hosting to DTS?
2. OSI/DSS, please present the status of the CWS/CMS Go Forward Plan. What are the next steps?

**Recommendation:** Hold open until May Revision.

### **DSS Issue 13: Dependency Drug Courts**

**Description:** Current law requires that the dependency drug court (DDC) program be funded unless it is determined that the program is not cost-effective with respect to the Foster Care and Child Welfare Services Programs. The proposed budget does not provide funding for DDCs or provide trailer bill language to suspend this requirement.

**Background:** The 2005-06 Budget Act provided \$2 million federal Promoting Safe and Stable Families (PSSF) funds for DDCs, including \$1.8 million for local DDCs, and \$200,000 to fund an evaluation contract. However, not all counties that applied for funding were able to receive it

(only 9 counties received grants). The County Alcohol and Drug Program Administrators Association indicates a total of \$5.2 million would be needed to expand DDCs to all counties that want to establish these programs in 2006-07.

**Background Provided by the Legislative Analyst:** The DDCs provide intensive substance abuse treatment along with close court supervision to parents who are involved in dependency court cases. Prior evaluations of the DDC model, including one conducted for the federal Department of Health and Human Services, have produced evidence that the model reduces time to reunification, increases reunification rates, and increases participation in substance abuse treatment. This approach would result in cost avoidance in Foster Care and CWS programs. Based on the LAO's review of existing studies, they believe that cost avoidance in Foster Care and CWS exceeds the cost of the drug court program.

In 2005-06 the Legislature approved funding for the continuation of DDC activities in nine counties, in coordination with the Department of Alcohol and Drug Programs. This funding also supported an evaluation to determine the cost-effectiveness of the programs. Trailer bill language accompanied the 2005-06 Budget Act to specify that: "It is the intent of the Legislature that dependency drug courts be funded unless an evaluation of cost avoidance as provided in this section with respect to child welfare services and foster care demonstrates that the program is not cost-effective."

The DSS indicates that the evaluation is proceeding and that a draft report is due from UCLA in March 2006. The department plans to be present the report to the Legislature in April 2006.

**Questions:**

1. DSS and DADP, please describe the status of the evaluation of the DDC program.

**Recommendation:** Hold open until the April 20<sup>th</sup> hearing, pending further information from DSS and DADP on the cost-effectiveness of dependency drug courts.



## **4200 Department of Alcohol and Drug Programs (DADP)**

The Department of Alcohol and Drug Programs (DADP) provides statewide leadership and oversight for local alcohol and drug intervention, prevention, detoxification, treatment and recovery services, including Drug Medi-Cal, Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000), Drug Courts, Drug Dependency Courts, and the Office of Problem Gambling.

### **DADP Issue 1: Drug Medi-Cal Program**

**Description:** The Governor's Budget includes \$121 million (\$63 million General Fund) for Drug Medi-Cal in 2006-07. Drug Medi-Cal provider rates have been essentially frozen at 2002-03 levels since 2004-05. Providers have requested that rates be adjusted to reflect the increased cost of providing services.

**Background:** Drug Medi-Cal treatment is provided through four modalities:

- **Narcotics Treatment Program (NTP)** provides narcotic replacement drugs (including methadone), treatment planning, body specimen screening, substance abuse related physician and nurse services, counseling, physical examinations, lab tests and medication services to person who are opiate addicted and have substance abuse diagnosis. The program does not provide detoxification treatment. NTP providers are the primary Drug Medi-Cal providers.
- **Day Care Rehabilitative** provides specific outpatient counseling and rehabilitation services to persons with substance abuse diagnosis who are pregnant, in the postpartum period, and/or are youth eligible for the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) program.
- **Outpatient Drug Free** provides admission physical examinations, medical direction, medication services, treatment and discharge planning, body specimen screening, limited counseling, and collateral services to stabilize and rehabilitate persons with a substance abuse diagnosis.
- **Perinatal Substance Abuse Services** is a non-institutional, non-medical residential program that provides rehabilitation services to pregnant and postpartum women with a substance abuse diagnosis.

Note also that the budget requests \$286,000 (\$143,000 General Fund) and 3 positions to establish a Drug Medi-Cal Fraud Deterrence Program. These resources would be used to provide more consistent oversight and monitoring of Drug Medi-Cal Narcotic Treatment Program (NTP) providers that contract directly with the DADP. These positions are projected to increase Drug Medi-Cal recoupments by \$3.7 million in 2006-07.

Current statute requires Drug Medi-Cal rates to be adjusted each year to reflect actual costs of program operation. However, these rate adjustments have been suspended by budget bill

language in the Budget Acts of 2004-05 and 2005-06, and are proposed for suspension again in the 2006-07 Budget Bill.

The Subcommittee may wish to consider a 5.0 percent rate increase for 2006-07 (\$3.7 million General Fund), due to increased costs in recent years associated with the statewide nursing shortage and increased accreditation costs. Full restoration of all Drug Medi-Cal provider rates would cost \$7.4 million General Fund in 2006-07.

Patients served by NTPs are primarily heroin addicts, although some patients become addicted to pharmaceutical opiates because the pain associated with a traumatic injury or chronic illness has been inappropriately medicated by their doctors. Patients who enter treatment are assessed to ascertain their physical condition and their level of tolerance to opiates. All patients are tested for various medical conditions and diseases, including sexually transmitted diseases, and once in the program must comply with regular, random testing to detect illegal drug use. Because many patients have other serious medical conditions or diseases, the NTPs work with primary care clinics, public health agencies and managed health care plans to provide appropriate referrals and coordinate care.

Methadone is a long-acting medication that normalizes the physical condition of addicts so that they do not suffer from withdrawal symptoms. Methadone also reduces craving for opiates. Some patients must come into the clinic for a daily oral dose of methadone and others who demonstrate progress in treatment may have a regimen of unsupervised weekly oral medications. The goal of methadone is to stabilize the patient in order to treat the other psychosocial and medical issues.

The department indicates that at an average cost of \$11 to \$13 per day, methadone maintenance treatment is a cost-effective alternative to incarceration or hospitalization.

**Questions:**

1. DADP, please present the Governor's Budget proposal for Drug Medi-Cal rates.

**Recommendation:** Hold open until May Revision.

<b>DADP Issue 2: Funding for Proposition 36, the Substance Abuse and Crime Prevention Act (SACPA)</b>
---

**Description:** The Governor's Budget proposes \$120 million in 2006-07 for Proposition 36, the Substance Abuse and Crime Prevention Act (SACPA). SACPA provides drug treatment instead of incarceration for certain first or second time non-violent adult drug offenders. SACPA also appropriated \$120 million annually from 2001-02 to 2005-06 for drug treatment. Researchers at the University of California at Los Angeles (UCLA) will report on the effectiveness of the program in April 2006.

**Background:**

- **Voters Approved SACPA in 2000:** SACPA changed state sentencing laws, effective July 1, 2001, to require adult offenders convicted of nonviolent drug possession to be sentenced to probation and drug treatment instead of prison, jail or probation without treatment. The Act excludes offenders who refuse treatment or who are found by the courts to be “unamenable to treatment.” The Act further requires that parolees with no history of violent convictions who commit a non-violent drug offense or violate a drug-related condition of parole be required to complete drug treatment in the community, rather than being returned to state prison.
- **Clients Served and Outcomes:** According to UCLA’s July 2005 evaluation of SACPA, in 2003-04 51,033 clients were referred to the system and 37,103 (73%) received treatment. This “show rate” compares favorably with show rates in other studies of drug users referred to treatment by criminal justice. The UCLA findings include:
  - Most SACPA clients (89%) were on probation when sentenced or were already on probation. The remaining 11% were parolees with a new drug offense or a drug-related parole violation.
  - SACPA clients had long histories of drug use and half were experiencing treatment for the first time. Methamphetamine was the primary drug used by 53% of SACPA clients. About 45 percent were non-Hispanic White, 32 percent were Hispanic, and 14 percent were African-American. The average age of SACPA clients was 35.
  - Most SACPA clients (84%) were placed in outpatient drug-free programs, and 11% were placed in long-term residential programs. However, many clients had drug problems severe enough to suggest a need for residential treatment. Methadone maintenance, methadone detox, non-methadone detox, and short-term residential treatment were rarely used in SACPA.
  - Of those clients who entered treatment in the second year (2002-03), 34% completed treatment. Of the total clients referred (clients entering treatment as well as those who dropped), the completion rate was 25%. SACPA treatment performance rates are typical for drug users referred to treatment by criminal justice.
  - Success in treatment was particularly difficult for those with heroin addiction. Few heroin users were treated with methadone detoxification or maintenance programs, despite the proven effectiveness of those programs.
- **Program Funding and Expenditures:** SAPCA appropriated \$60 million for 2000-01 and \$120 million annually from 2001-02 through 2005-06. The sentencing guidelines established by SACPA do not sunset, although the statutory funding requirement sunsets

June 30, 2006. Of total expenditures in 2003-04, counties spent 76% on treatment and related services, and 24% on court, probation, and other criminal justice activities.

Fiscal Year	Amount Allocated to Counties	Carryover Funds from Previous Year	Total Funds Available	Total Expenditures	% Expended of Total Funds Available	% Expended of Total Annual Allocation
FY 2000/01	\$58,800,000	Not Applicable	\$58,800,000	\$7,177,107	12.2%	12.2%
FY 2001/02	\$117,022,956	\$54,241,609	\$171,264,565	\$92,783,434	54.2%	79.3%
FY 2002/03	\$117,022,956	\$85,971,954	\$202,994,910	\$136,392,288	67.2%	116.6%
FY 2003/04	\$117,022,956	\$70,872,140	\$187,895,096	\$134,282,695	71.5%	114.7%
FY 2004/05	\$116,594,956	\$57,011,522	\$173,606,478	\$133,483,107	76.9%	114.5%
FY 2005/06	\$116,513,956	\$40,123,371	\$156,637,327	\$149,709,926	95.6%	128.5%

- **Governor's Budget:** The Governor's Budget funding level of \$120 million may effectively result in funding reductions for counties, as they have been using unspent carryover funds from their initial SACPA allocations to supplement the \$120 million annual appropriation. Counties are expected to have little or no carryover funds after 2005-06.

If the state does not maintain the \$120 million funding level after 2005-06, it will not meet its maintenance of effort (MOE) requirement for the federal Substance Abuse Prevention and Treatment (SAPT) block grant. Due to the SAPT MOE, a General Fund reduction would result in a corresponding reduction in federal funds in 2006-07.

The budget requests statutory changes to align SACPA sentencing guidelines with the drug court model, including drug testing, flash incarceration, and judicial monitoring. The budget also recommends programmatic changes to ensure that offenders are matched with appropriate treatment services, such as narcotic replacement therapy and culturally competent services.

- **Concerns Regarding Funding Level:** Counties, consumers, providers, educators, and advocates have expressed concern that the Governor's Budget funding level for SACPA is insufficient, and that it would result in reduced services, more persons incarcerated, and reduced supervision of violators. Further, the funding level for SACPA has not been adjusted to reflect actual caseload or treatment cost increases.

The Coalition of Alcohol and Drug Associations (CADA) has requested \$209.3 million General Fund for SACPA in 2006-07, an increase of \$89.3 million above the Governor's Budget funding level. This figure is based on surveys conducted in 2004 and 2005 among county alcohol and drug program administrators. They indicate the anticipated shortfall in 2006-07 is \$68 million for treatment, \$4.5 million for ancillary services, and \$16.8 million for probation supervision. The greatest unmet needs are for residential treatment and aftercare, which is received by less than one third of Proposition 36 offenders.

Due to funding constraints, some counties currently have waiting lists for residential treatment slots. Clients are provided outpatient services while on those waiting lists. Funding constraints have also resulted in some counties reducing the intensity and duration of treatment, such as providing group counseling instead of individual counseling, and reducing treatment programs from 12 to 8 weeks.

- **Concerns Regarding Licensing of Providers:** Recent articles in the Sacramento Bee have focused on the quality of care provided by counselors under SACPA. These articles indicated that over 40 serious incidents of neglect or abuse had been identified since the implementation of SACPA in 2001. These incidents resulted in the risk or actual injury or death of patients, and may be the result of insufficient regulation and standards for substance abuse counselors.

The department indicates that increased incidents of abuse or neglect should be considered in the context of the significant increase in treatment admissions and providers under SACPA. The department also notes that it implemented new counselor certification regulations effective April 1, 2005, after seeking stakeholder comments. The regulations are intended to improve the quality of counselors without resulting in workforce shortages. Prior to the regulations, a valid TB test was the only requirement for an individual to become a substance abuse counselor.

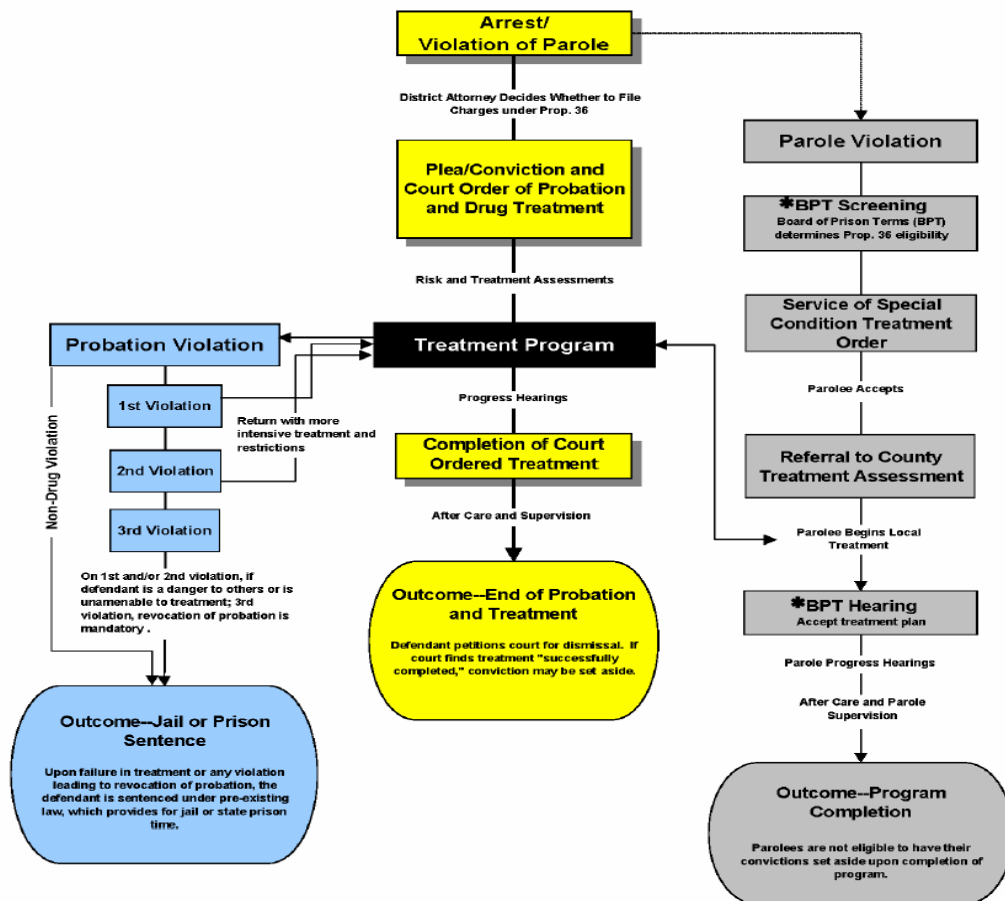
The department indicates it is in the process of developing next steps designed to raise the level of professionalism and expertise of the field based on employer demand and workforce needs. Many of these licensing reforms are being addressed through the regulatory process, although other changes may be included in future HHS Agency licensing reform proposals.

**Questions:**

1. DADP, please describe modifications to local SACPA programs that have occurred or may develop if the need for services exceeds available funding.
2. DADP, please describe the department's efforts to increase the effectiveness and ensure the quality of local SACPA programs and counselors.

**Recommendation:** Hold open until the April 20<sup>th</sup> hearing.

### Sample Proposition 36 Case Processing Flowchart



\* Effective October 1, 2002, changes to SACPA parolee procedures were adopted by the California Department of Corrections (CDC) and the Board of Prison Terms (BPT) to direct parolees to assessment much more quickly. Under the revised procedures, parolees are referred to assessment centers by their parole agents, rather than by the BPT. The parole agent is the primary point of contact for the assessment center and treatment provider.

**Parole Note:** Non-drug violations; parolees who do not accept Prop. 36 treatment or parolees who fail treatment would return to prison and/or other sanctions.

California Department of Alcohol and Drug Programs  
June 2, 2005